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# CREDITSIGHTS APAC OUTLOOK CONFERENCE

Rates, (Election) Results and Resilience

October 1st, 2024

APAC OUTLOOK CONFERENCE  
**SINGAPORE**

# East Asian Corporates: Silver Linings in East Asian Credit

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Nicholas Chen: *Asia-Pacific Corporates Analyst, CreditSights*

10:05 a.m. – 10:35 a.m.



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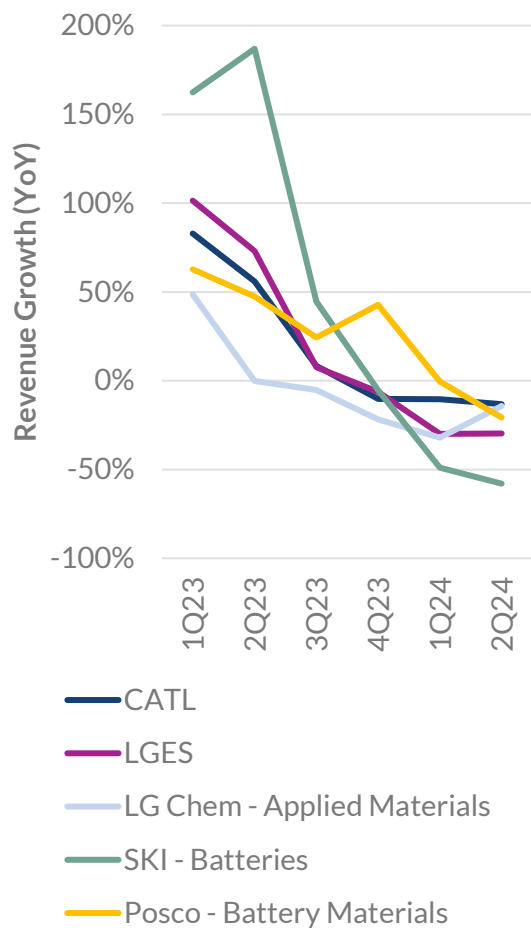
# Electric Vehicle Batteries

Stephanie Sim

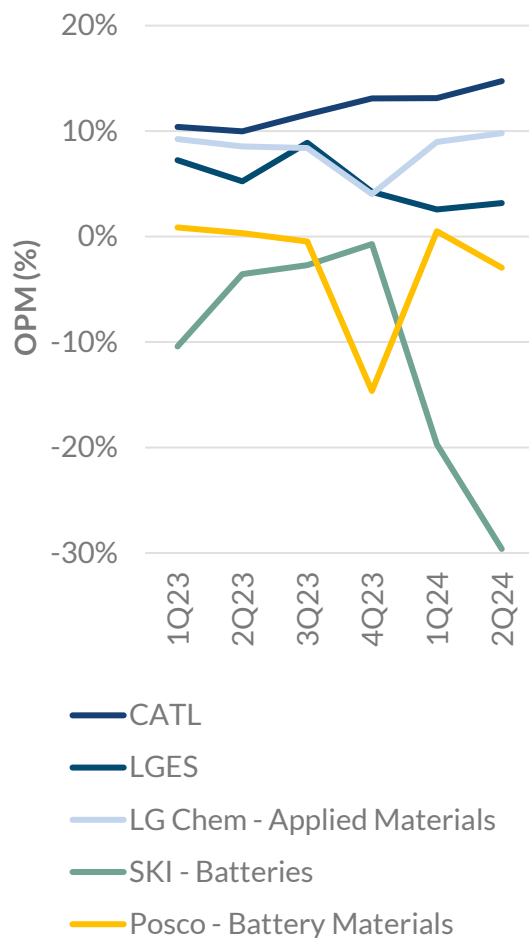


# 1H24 Earnings Recap

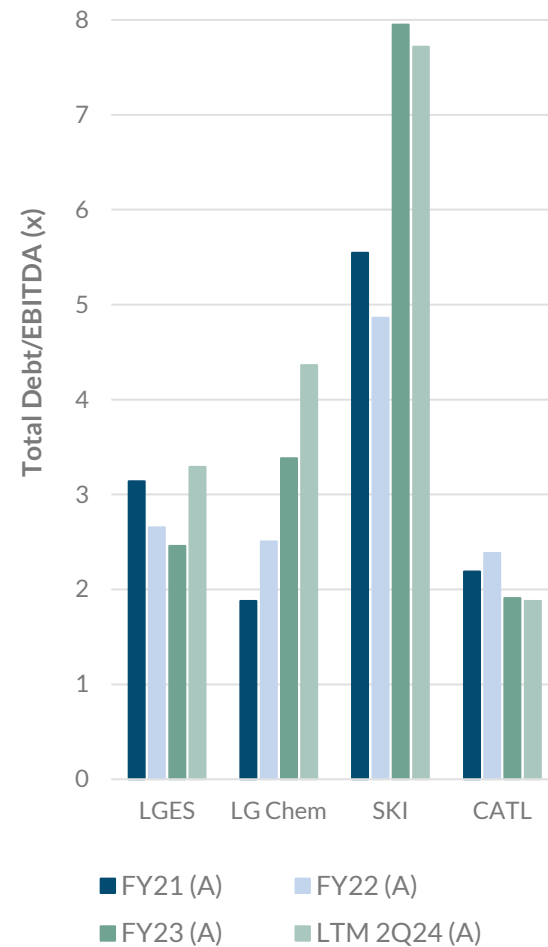
## Revenue Growth



## Operating Margin

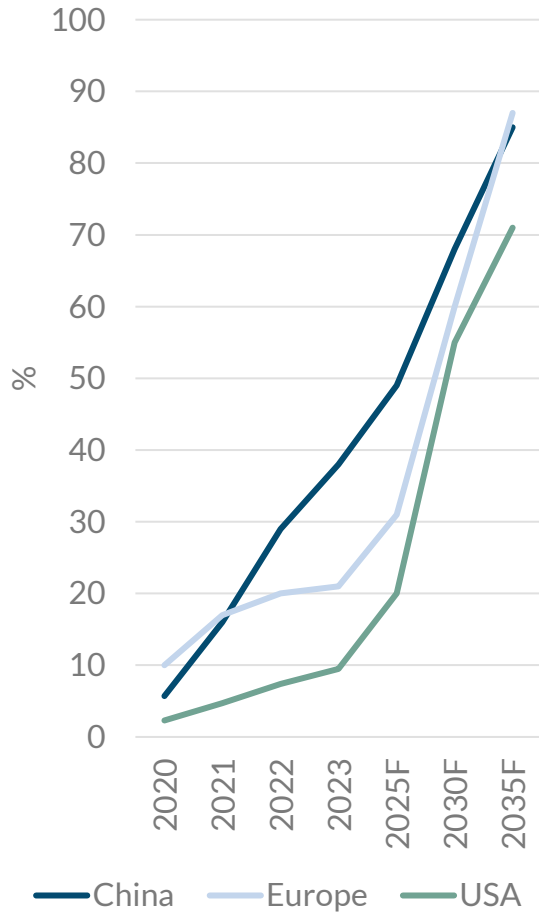


## Leverage Trend

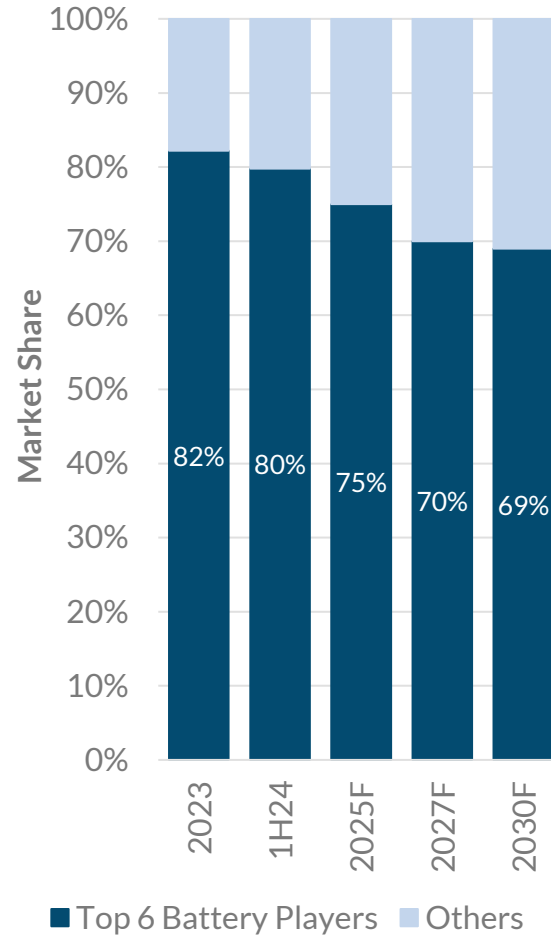


# Medium Term Industry Outlook

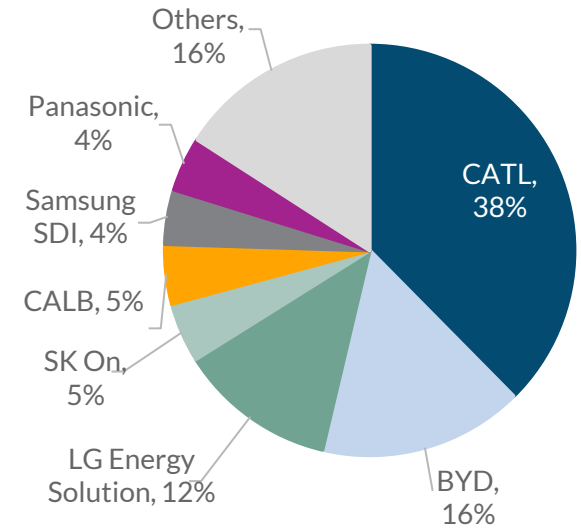
## EV Penetration Rate



## Industry to Remain Consolidated

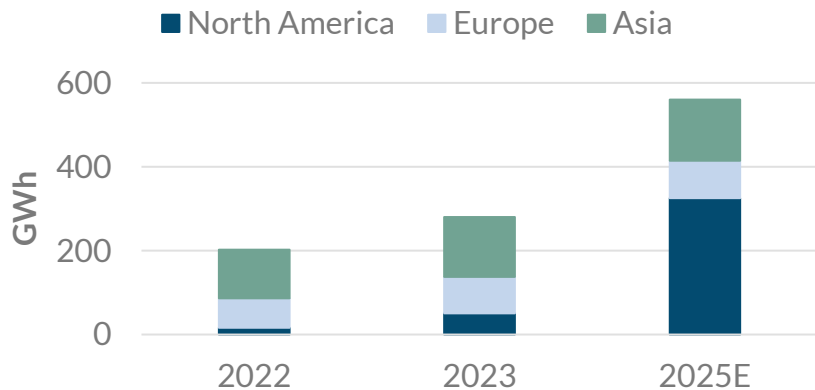


## Market Share in 7M24

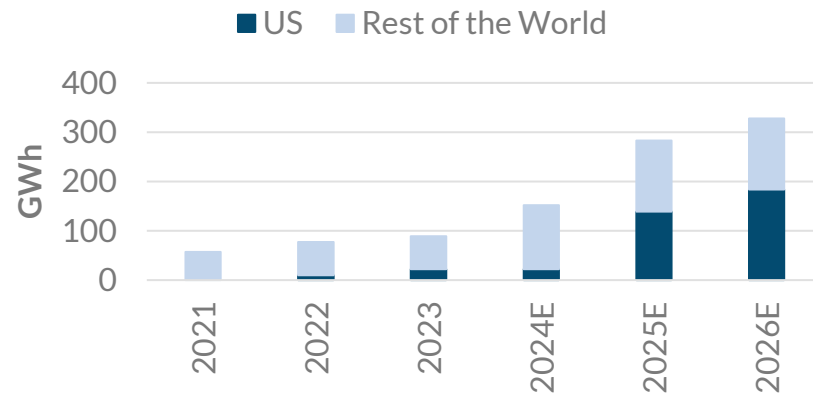


# Korean Battery Credits: Key Beneficiaries of U.S. IRA

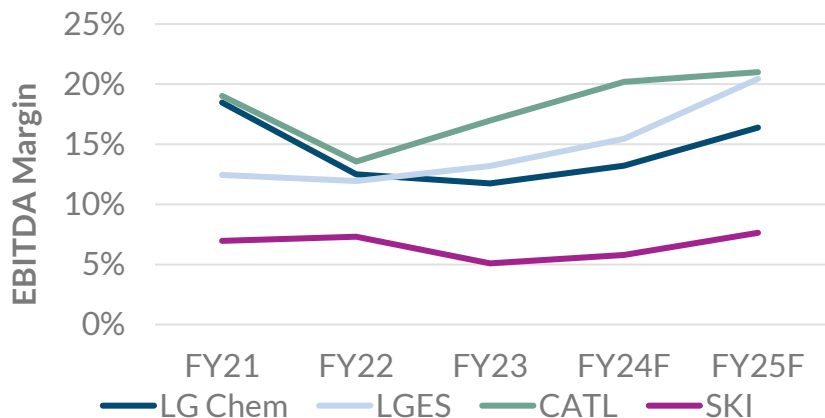
## LG Energy Solution – Planned Capacity



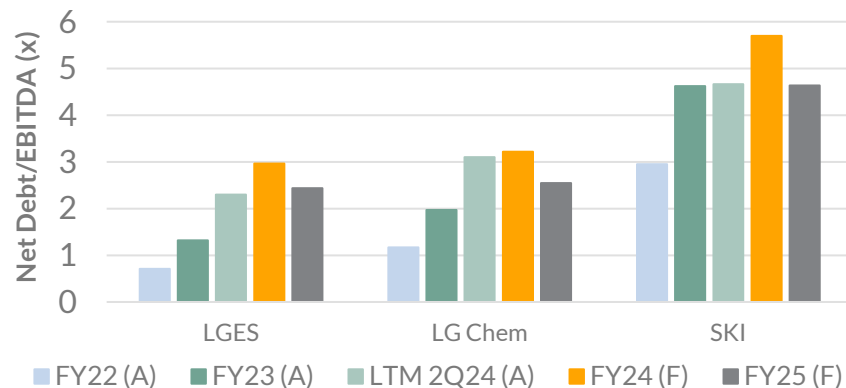
## SK Innovation – Planned Capacity



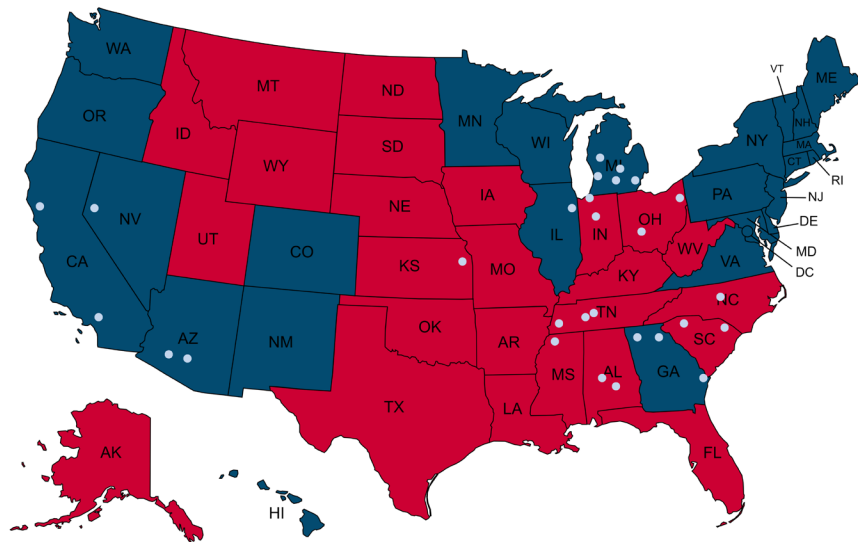
## EBITDA Margins to Improve



## Net Leverage to Improve from FY25



## US EV Battery Production Site Map



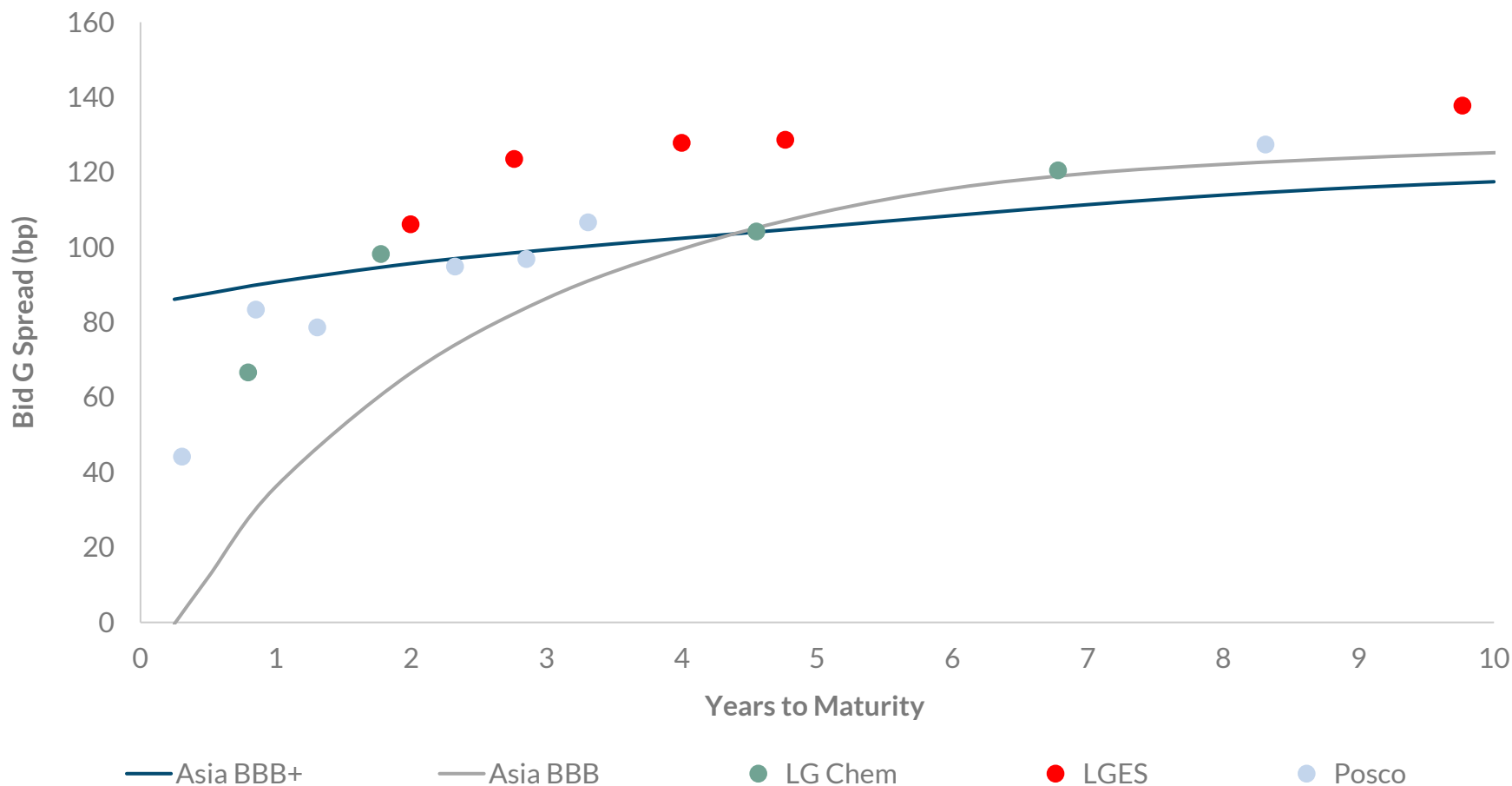
- Democrat
- Republican
- Plant Sites

## Battery Production Plants

EV Factories	Mother Company	JV with	State	Political Control
Ultium Cells	General Motors	LG Chem	Ohio	R
Ultium Cells	General Motors	LG Chem	Tennessee	R
Ultium Cells	General Motors	LG Chem	Michigan	D
L-H Battery Company	Honda	LGES	Ohio	R
HMG - LGES Battery JV	Hyundai	LGES	Georgia	D
LGES Michigan	LGES	LGES	Michigan	R
LGES Arizona	LGES	LGES	Arizona	D
TBMNC	Toyota	LGES	North Carolina	R
Samsung	General Motors	Samsung SDI	Indiana	R
Kokomo Gigafactory 1	Stellantis	Samsung SDI	Indiana	R
Kokomo Gigafactory 2	Stellantis	Samsung SDI	Indiana	R
BlueOval SK Battery Park	Ford	SK On	Kentucky	R
BlueOval City	Ford	SK On	Tennessee	R
SK On	Hyundai	SK On	Georgia	D
SK Battery America	SK On	SK On	Georgia	D
BlueOval Battery Park Michigan	Ford	CATL	Michigan	D

# Relative Value: Prefer LG Energy Solution

## LGESNO Provides a Decent Spread Pick Up Against LG Chem, Posco, and Asia BBB+/BBB Corporates







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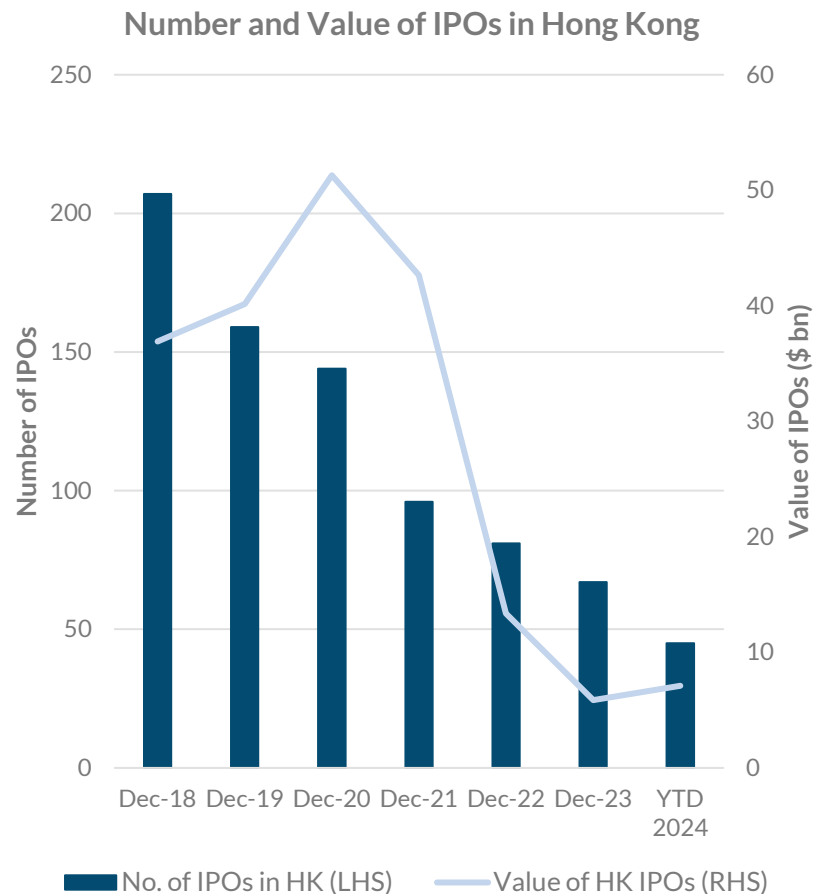
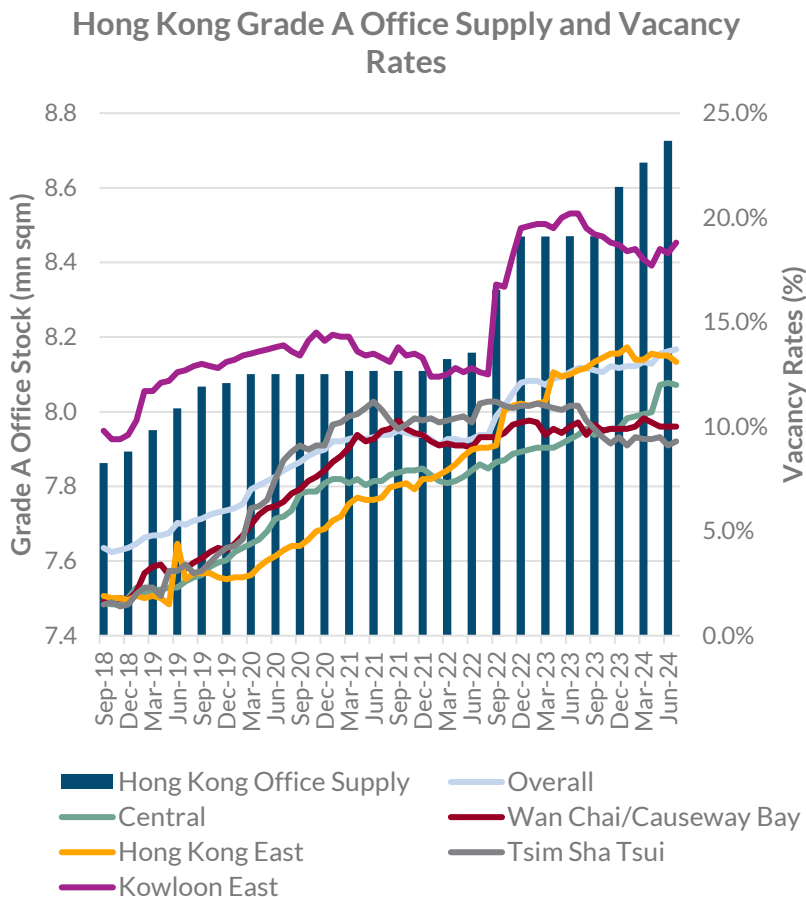
**HK Property**  
Nicholas Chen



# HK Office: Sandwiched By Weak Demand And Higher Supply

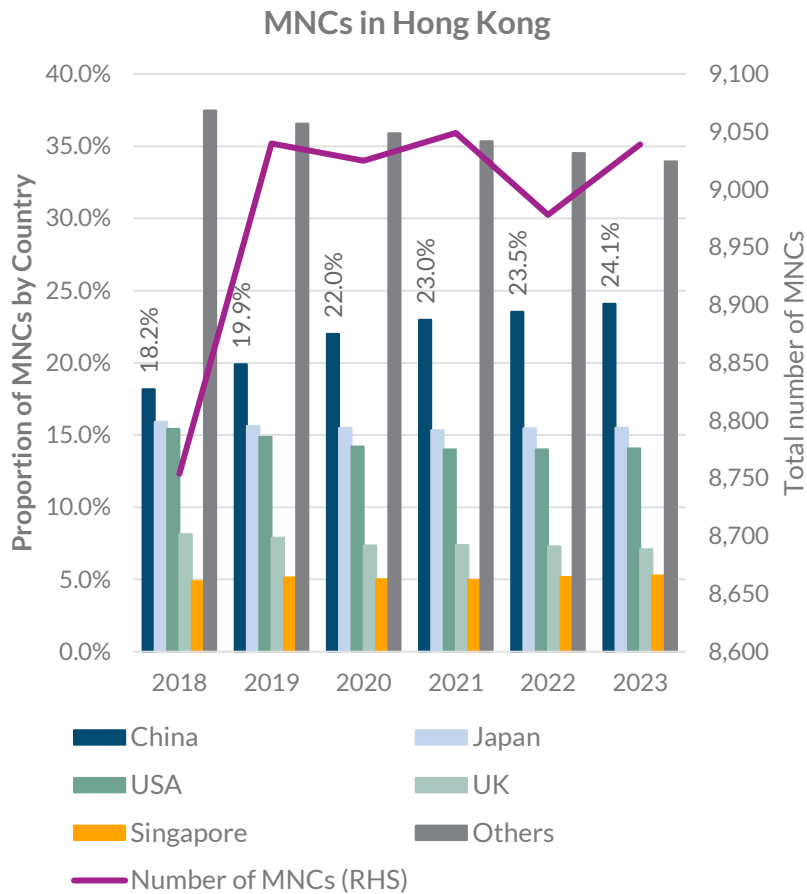
Vacancy rates remained pressured by higher office supply and weak demand

Reduced IPO activity have weighed on office demand

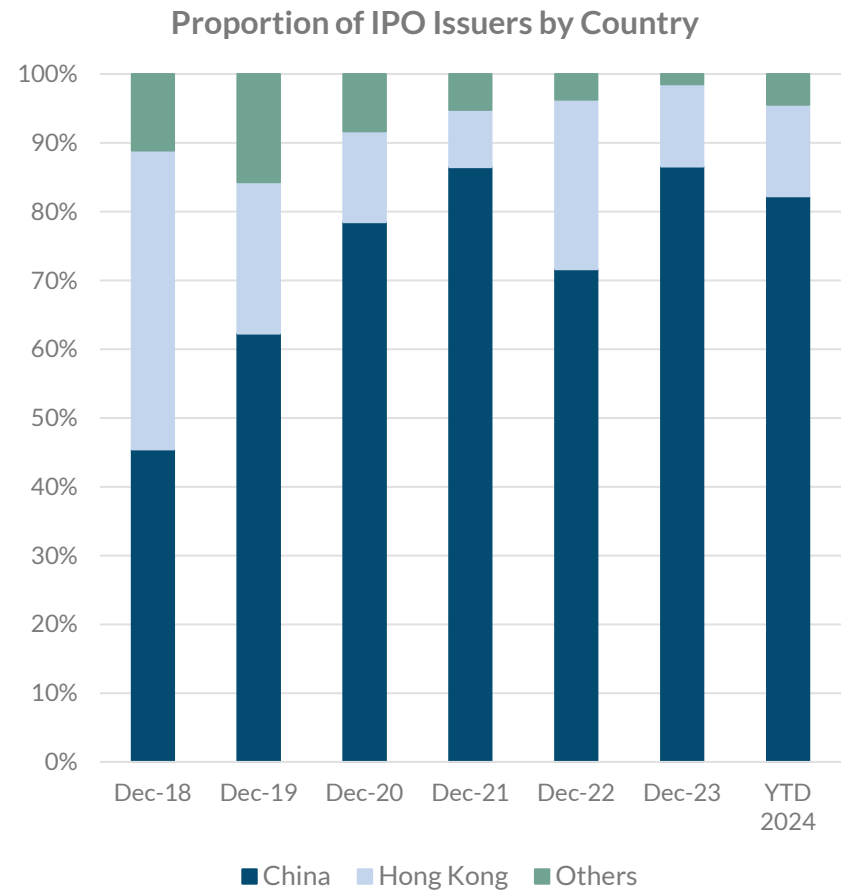


# HK Office: A Bright Spot - The Presence of More Chinese Corporates

## Increasing number of Chinese MNCs with an office presence in Hong Kong



## Chinese corporates forming the bulk of new IPOs in Hong Kong amid support by Chinese authorities

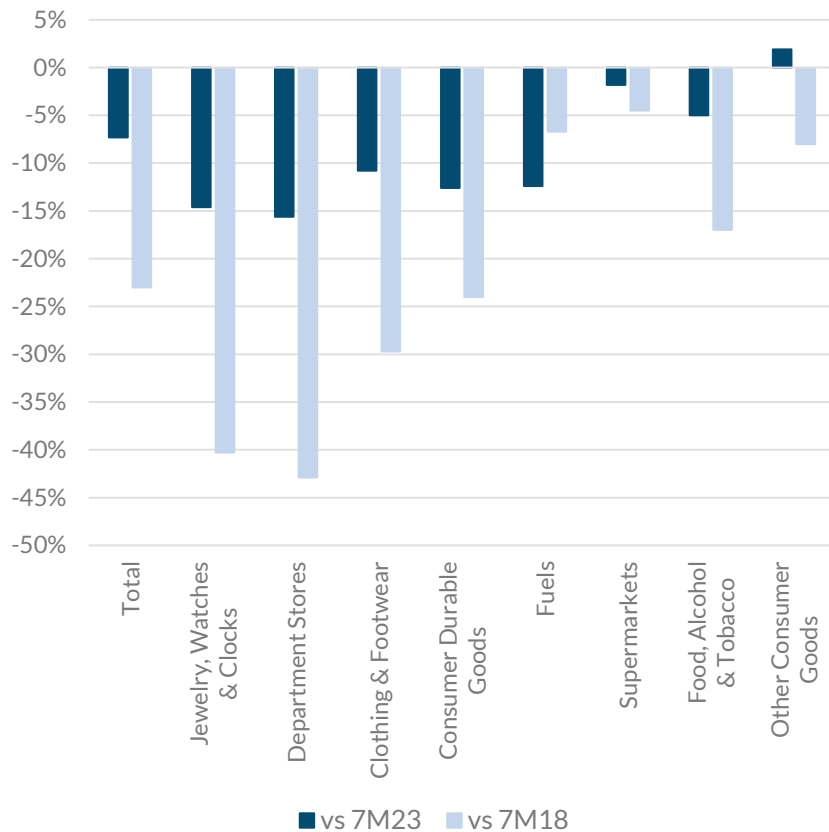


# HK Retail: Softening

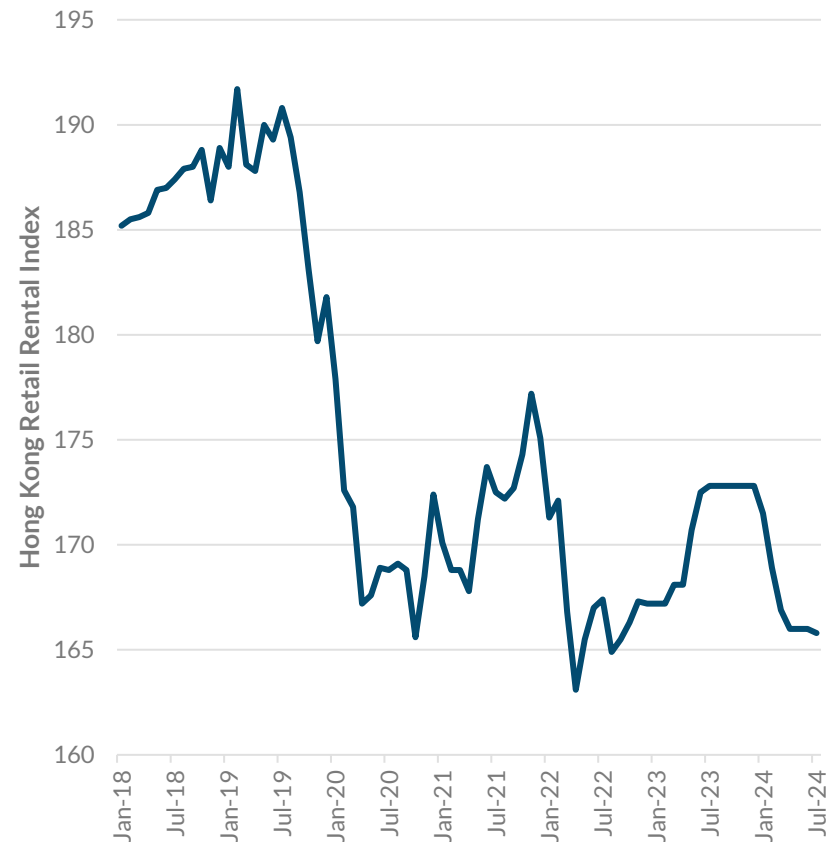
Retail sales has lost momentum since 1Q24, almost all categories down YoY

Soft retail sales potentially weighing on the positive retail rental reversions in FY24

7M24 Retail Sales YoY vs 7M23 and 7M18

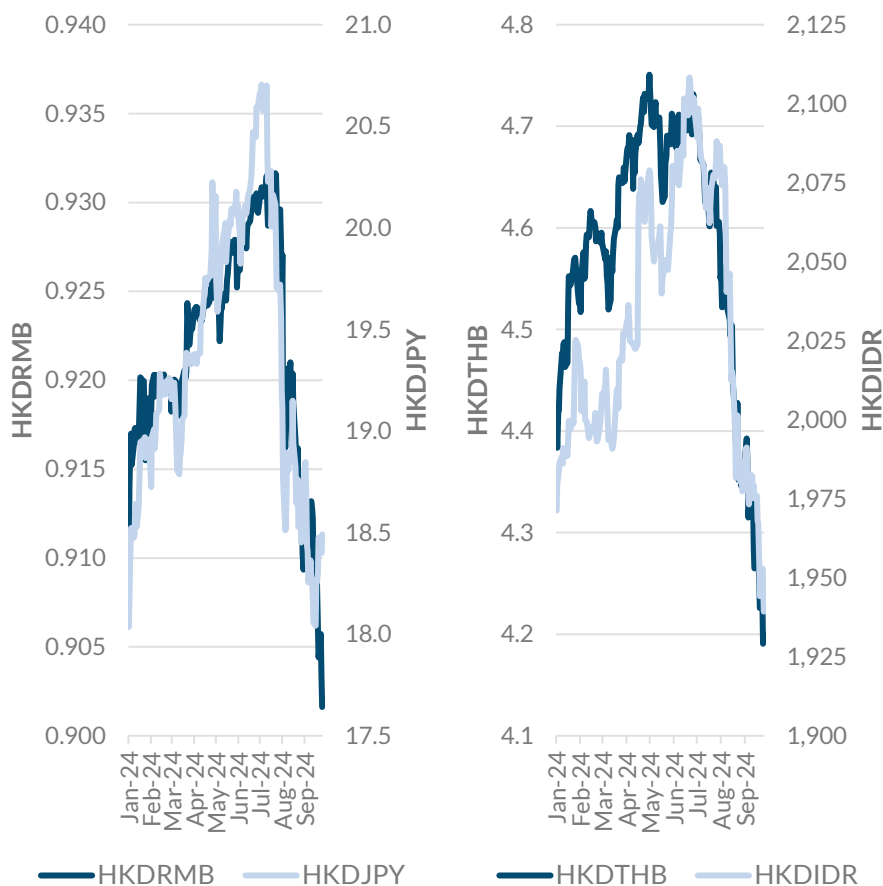


Hong Kong Retail Rental Price Index



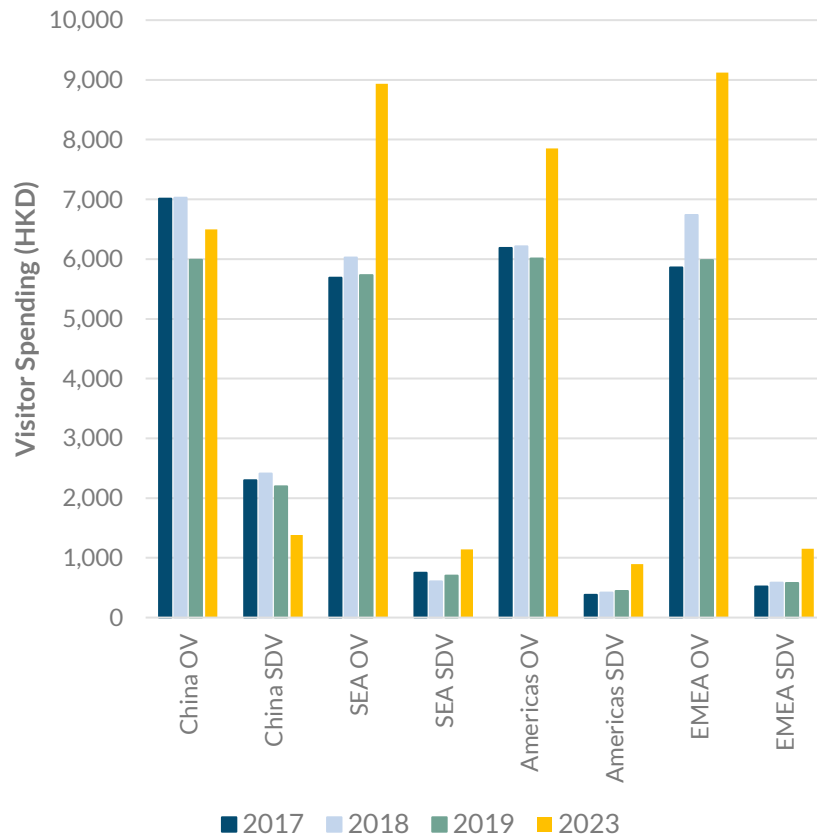
# HK Retail: Weaker HKD & Recovering Flight Capacities Potential Catalysts

## HKD has been weakening against major currencies and South-East Asian currencies



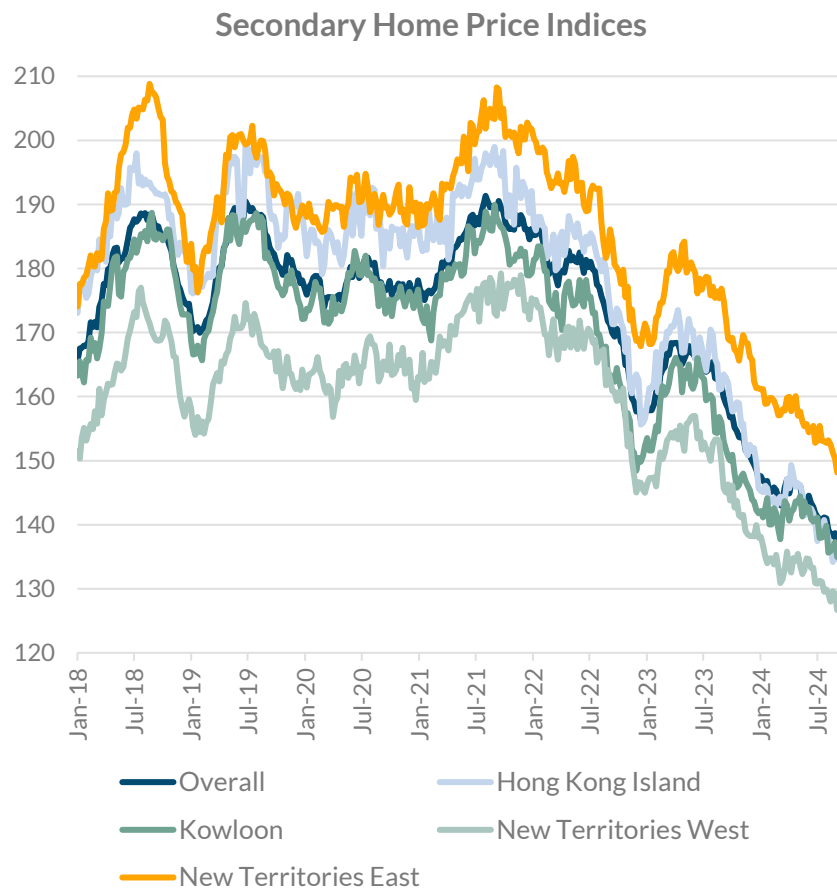
## Spending by Chinese tourists fell compared to pre-COVID, but overseas tourist spending increased

### Spending by Overnight Visitors (OVs) and Same-Day Visitors (SDVs)

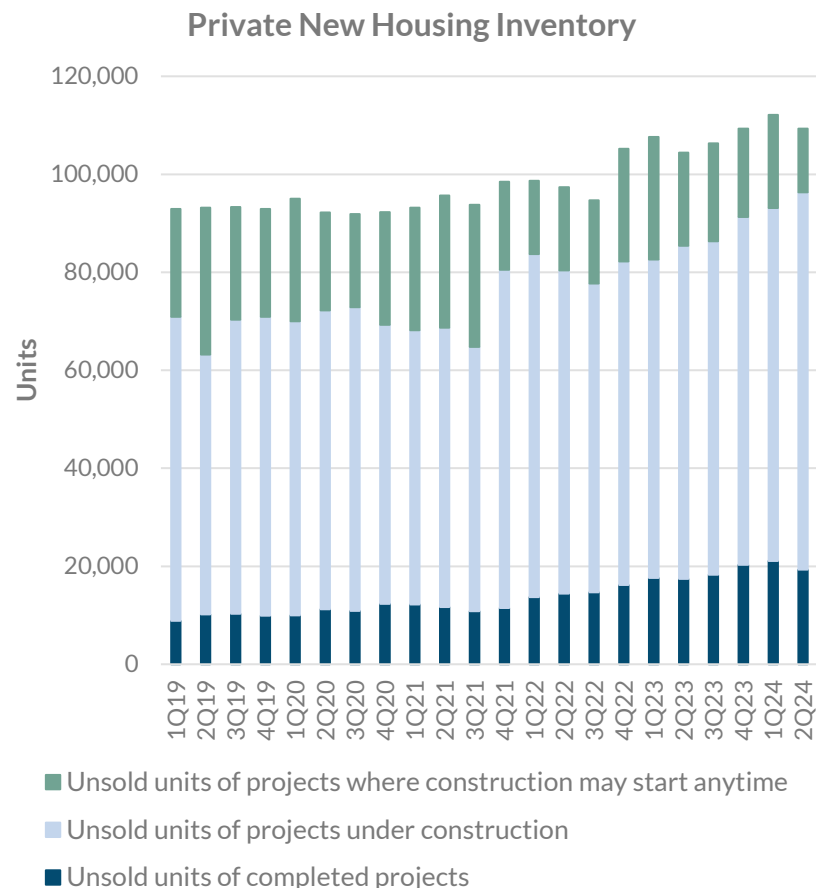


# HK Residential: Persistent Supply and Demand Imbalance

Secondary home prices are still on the decline and hovering near 7-year lows

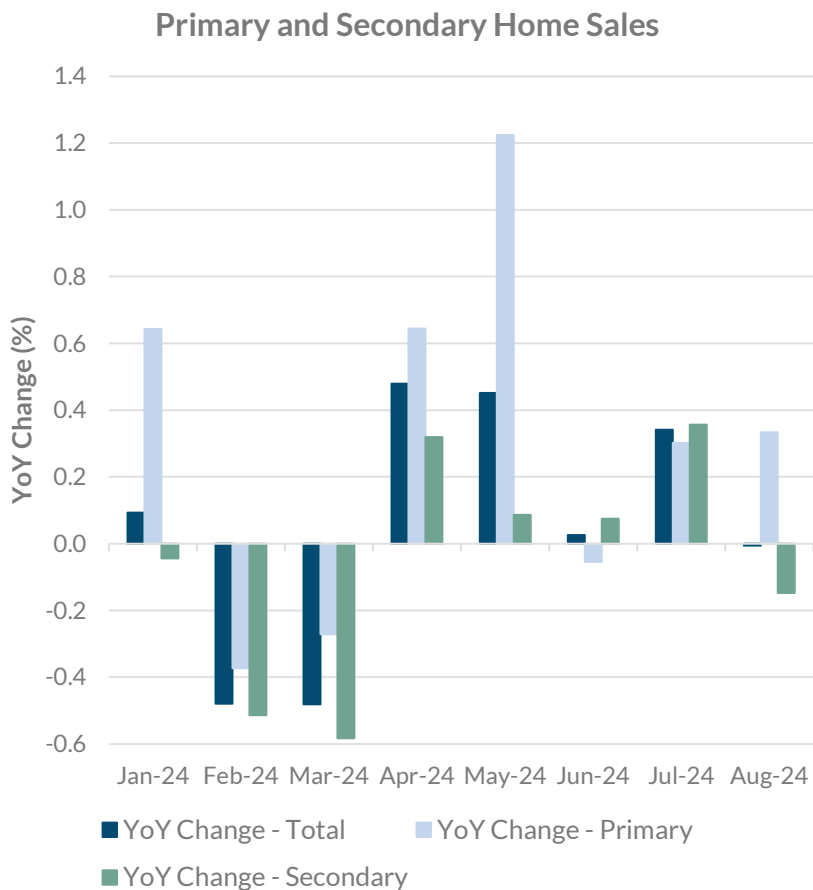


Expected annual housing demand (42k) met by expected annual supply (31k/19k public/private)

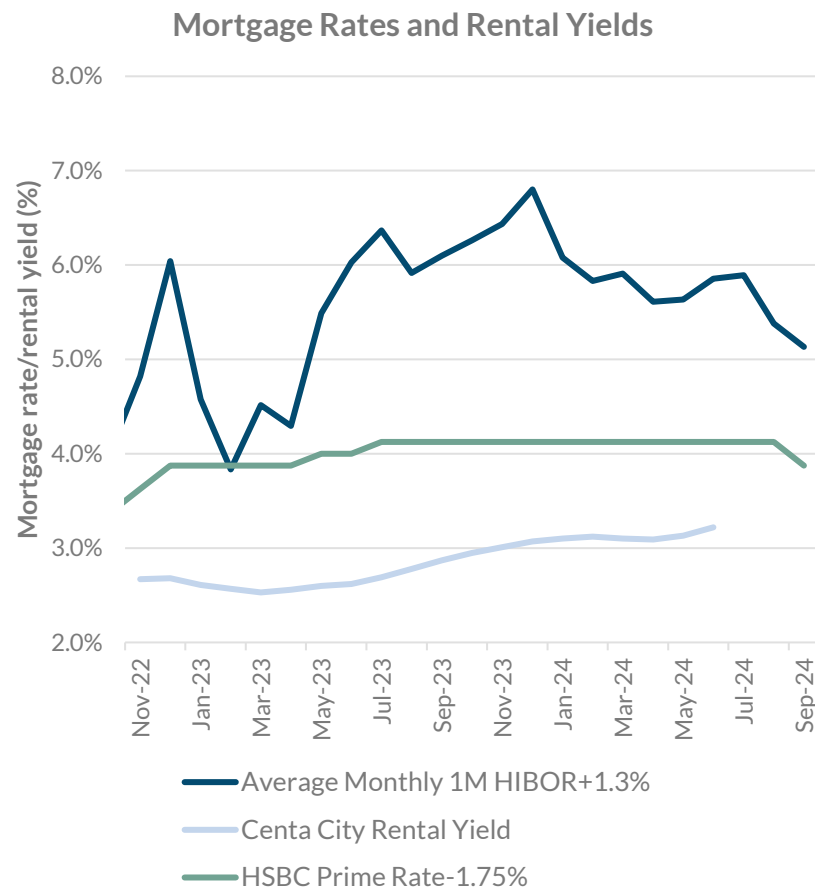


# HK Residential: Rate Cut A Welcome Move, But Still A Ways To Go

Home sales saw a general improvement post the removal of cooling measures in end Feb-24



Mainland talent inflows have pushed rental yields up, but negative carry remains until rates fall further



# Hong Kong Property Still Offers Some Value

## Top Picks



## A-Rated Hong Kong Property Names:

- Resilient balance sheets
- Prudent debt management
- Willingness to pay
- Strong funding access
- Good business diversification

## BBB-Rated Hong Kong Property Names:

- Decent funding access
- Strong shareholder support
- Willingness to pay





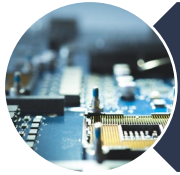
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# Artificial Intelligence

Stephanie Sim



# The Asia AI Ecosystem



## Semi/Semi-related

- TSMC, SK Hynix



## Servers

- Lenovo, Foxconn



## Public Cloud Hyperscalers

- Alibaba, Tencent, Huawei, Baidu



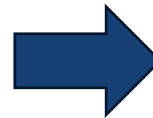
## Large Language Models (LLMs)

- Alibaba, Tencent, Baidu, JD



## Devices

- Lenovo, Xiaomi



## eCommerce

- JD, Alibaba

## Content Generation & Advertising

- Alibaba, Baidu, Tencent, iQiyi, Weibo

## Gaming

- Tencent

## Healthcare

- Alibaba, JD

## AIoT

- Xiaomi

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